

**YAKIMA COUNTY HEALTH DISTRICT**  
**Yakima County, Washington**  
**January 1, 1994 Through December 31, 1994**

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**Schedule Of Findings**

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1. The District Should Improve Its Accounting And Financial Reporting System And Procedures

During our audit of the district, we noted several areas in its accounting and financial reporting systems and control procedures which should be strengthened. Many of these conditions were noted in our prior audit (Report No. 57194 ) for 1993. The district has made some improvements since our last report; however, many weaknesses still exist as listed below:

a. Accounting Records

(1) The general ledger and subsidiary accounting records for cash, inventory, and accounts payable were not kept current and balanced monthly to help detect errors or irregularities which may have occurred in the accounting system.

(2) Reasonable record retention and filing procedures were recently adopted by district personnel, however, the December 31, 1994, clinic month-end report could not be found.

b. Cash Receipts

(1) The clinic cashier cash drawer contained a slush fund used to cover overages and shortages at the end of each day. The district should establish an over/short account in their general ledger to record the differences in the cash drawer at the end of each day. All overages should be deposited daily with all other receipts.

(2) For five months of 1994, a cash receipts clerk in the clinic area performed the incompatible duties of receipting and recording funds and the district lacked compensating controls to offset these weaknesses; however, additional audit testing did not reveal any irregularities. (See Federal Finding 3.)

c. Accounts Receivable

Payments on clinic accounts receivables were: (1) sometimes posted directly to the general ledger instead of the individual accounts in the subsidiary ledger; (2) posted to the general ledger net of estimate uncollectible amounts rather than gross amounts; and (3) not posted timely to the general ledger. These conditions could cause significant errors and irregularities to occur and go undetected. (See Management Section Finding 2.)

d. Fixed Assets

(1) The district did not maintain fixed asset records to help safeguard fixed assets from undetected loss. (See Federal Finding 2.)

(2) Periodic fixed asset inventories were not taken and compared to comprehensive fixed asset listings to help detect errors or irregularities.

e. Control Procedures

(1) The district does not have a complete and current accounting policies and procedures manual which would enable staff to understand how to use their accounting systems.

(2) District employees in positions of trust are not required to take annual vacations (during which their duties are performed by other personnel thereby increasing the likelihood that errors or irregularities could occur and go undetected).

f. Operating Environment

Significant turnover in key financial positions occurred during 1994 and new personnel were not adequately informed on prior operations to answer questions or locate needed information.

State law required the district to properly account for financial activity in RCW 43.09.200 which states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipts, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs. (Emphasis ours.)

To satisfy the requirements of RCW 43.09.200, the district's accounting system must include adequate internal controls. The American Institute of Certified Public Accounts (AICPA) *U.S. Auditing Standards*, Section 319.69(2) states:

Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, summarize, and report financial data that is consistent with management's assertions embodied in the financial statements, some of the specific objectives management may wish to consider include the following:

Transactions are executed in accordance with management's general and specific authorization.

- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- Access to assets is permitted only in accordance with managements authorizations.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to differences.

We recommend the district take immediate action to correct the above noted weaknesses to enable the establishment and maintenance of current, accurate, and complete accounting records and that management review these records in a timely manner.

2. Clinic Accounts Receivable Activity Should Be Recorded Properly

Payments on clinic accounts receivables were: (1) sometimes posted directly to the general ledger instead of the individual accounts in the subsidiary ledger for the SLIAG money (State Legalization and Immigration Act Grant money ); (2) posted to the general ledger net of estimate uncollectible amounts rather than gross amounts; and (3) not posted timely to the general ledger.

The clinic accounts receivable is processed on a computer system which is not integrated with the general ledger. Therefore, a journal entry is required to record clinic accounts receivable and revenue activity.

District officials stated that district personnel were behind in posting the SLIAG accounts receivable to the subsidiary records. They also stated the current accounts receivable software limitations do not enable the district to record clinic account receivables in gross amounts without requiring a substantial increase in work.

These conditions significantly increase the opportunity for errors and irregularities to occur and go undetected.

We recommend the district provide the clinic billing/accounts receivable person with proper training and instruction to ensure:

- a. Payments on all clinic accounts receivable are posted to the appropriate subsidiary accounts as well as the general ledger. In addition the district should review and correct all the State Legalization and Immigration Act Grant money received but not posted to the individual patient accounts.
- b. Clinic accounts receivable activity is summarized and recorded at the end of each month, so that the general ledger account is equal to the clinic subsidiary ledger which is on the separate computer system. The revenue and related accounts receivable should be recorded at gross and when payments are received, deductions from revenue should be recorded.
- c. The clinic subsidiary accounts receivable system is reconciled on a monthly basis and posted to general ledger.

3. The Yakima County Health District Should Report Unclaimed Property In Accordance With State Requirements

Yakima County Health District did not report unclaimed property in accordance with statutory requirements. We noted numerous checks which had been outstanding for more than two years. The oldest check had been outstanding since May 1988. This condition was noted in our prior audit reports of 1989-90, 1991-92 and 1993.

RCW 63.29.130 states in part:

Intangible property held for the owner by a . . . governmental subdivision . . . that remains unclaimed by the owner for more than two years after becoming payable or distributable is presumed abandoned.

RCW 63.29.170 also states in part:

A person holding property presumed abandoned . . . shall report to the department concerning the property as provided in this section . . . .

Although district management has concurred with this requirement since the issuance of our 1989-90 audit report, the district had not taken any action to comply.

By not complying with Chapter 63.29 RCW as outlined above, the Washington State Department of Revenue cannot attempt to locate owners of this property.

We again recommend the district report unclaimed property in accordance with statutory requirements.

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**Schedule Of Federal Findings**

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1. Audit Reports Should Be Completed In Accordance With Federal Requirements

The 1994 annual audit could not be completed in a timely manner as required by federal requirements. This condition was noted in our prior audit report of 1993.

The late completion of the audit was caused by delays in gathering needed information for the audit by district personnel, and the internal control weaknesses and accounting record deficiencies as noted in Finding 1 in the management section of this report.

OMB A-128, Section 13, Subpart f states:

The reports shall be sent within 30 days after the completion of the audit, but no later than one year after the end of the audit period unless a longer period is agreed to with the cognizant audit agency.

The delay in reporting the audit results of the Yakima County Health District denies the federal government and other users timely information from which to make funding decisions and other pertinent decisions which stem from this report.

We again recommend the district implement corrective action to resolve the internal and accounting control problems noted in this report. We also recommend the district gather the needed information to complete the annual audits in a timely manner so that federal reporting requirements can be achieved.

2. The District Should Maintain Fixed Asset Records

The district's accounting for fixed assets was not sufficient to safeguard public property. The district did not maintain any fixed asset records over equipment, land, and buildings. Federal and state laws require accountability and safeguarding of assets. Due to the condition of the district's records, we were unable to determine if federal funds were used to purchase fixed assets. This condition was noted in our prior audit report of 1993.

For any fixed assets purchased with federal funds, the Office of Management and Budget (OMB), "Common Rule", Section .32d Uniform Administrative requires:

- 1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and the cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition date including the date of disposal and sale price of the property.
- 2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- 3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft should be investigated.

Because the district had no fixed asset accounting system, there is an increased risk that errors or irregularities might occur and not be detected in a timely manner. In addition, we were unable to verify the accuracy of fixed assets for financial reporting purposes. Consequently, we consider the condition to be a material weakness in internal controls.

We again recommend the district develop a fixed asset record keeping system to provide the district with a means of safeguarding its fixed assets against loss, damage, or theft and to comply with federal requirements for fixed assets acquired with federal funds.

3. Control Over Cash Receipts Should Be Strengthened

During our audit we noted controls over cash receipts should be strengthened in the clinic area. Cash receipts clerks performed incompatible duties of receipting and recording funds of the district. Further, payments received by mail were not receipted or controlled by listing receipts on a master mail log. This condition was noted in our prior audit report of 1993.

Proper internal controls over cash receipting includes the segregation of the functions of receipting, recording, and deposition of funds. It also includes establishing control logs for payments made by mail.

The district had not established a policy and procedures manual for district operations, including cash receipting.

Failure to maintain adequate internal control over cash receipts results in a significantly greater risk that loss of public funds could occur and not be detected in a timely manner. Consequently, we consider this condition to be a material weakness in internal controls.

We again recommend the district establish policy and procedures over cash receipting which include proper segregation of duties to the extent practical. We also recommend the district keep a control log for mail receipts and use the log to reconcile receipts to deposits made.



4. Accounting Records Should Separately Identify The Use Of Federal Funds By Each Contract Or Grant

Yakima County Health District did not separately identify expenditures of federal funds by each grant or contract as required by federal laws. Federal expenditures were commingled with all other district operating expenditures. However, we were able to locate source documentation (invoices) to support the use of federal funds and support federal reports issued by the district. Consequently, we consider this condition to be a reportable condition. This condition was noted in our prior audit report of 1993.

The Office of Management and Budget (OMB) "Common Rule," Section .20 *Standards for Financial Management Systems*, states in part:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made . . .

(2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant and subgrant awards and authorization, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (Emphasis ours.)

Yakima County Health District did not design their accounting system to account for federal expenditures by grant or contract.

As a result there is an increased risk that errors and irregularities could occur and go undetected.

We again recommend the accounting system be tailored to meet the standards for financial management systems and accumulate all necessary data for each grant/contract, including any element of federal assistance.